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Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 DODE-00 NSAE-00 USIA-06
TRSE-00 SOE-02 DOE-11 CIAE-00 COME-00 /038 W
----------026848 092114Z /14
R 090343Z MAR 78
FM AMEMBASSY RANGOON
TO SECSTATE WASHDC 5036

C O N F I D E N T I A L RANGOON 0830

E.O. 11652: GDS
TAGS: EFIN, ENRG, BTIO
SUBJECT: CHASE MANHATTAN BANK PLANS ADDITIONAL LOAN TO
MYANMA OIL CORP.

REF: 77 RANGOON 0356

SUMMARY: CHASE MANHATTAN BANK PLANS TO LOAN $10 MILLION TO THE GUB-OWNED MYANMA OIL CORPORATION (MOC) TO FINANCE THE PURCHASE OF THREE OR FOUR SHALLOW DRILLING RIGS. THIS IS A FOLLOW ON TO THE $38.75 MILLION LOAN CHASE SYNDICATED FOR MOC LAST YEAR, AND THE TERMS AND CONDITIONS ARE SIMILAR TO THAT LOAN. THE LOAN OFFERS A MAJOR TRADE OPPORTUNITY FOR U.S. SUPPLIERS. END SUMMARY.

1. CHASE MANHATTAN BANK HAS PRESENTED A LETTER OF OFFER TO THE GUB-OWNED MYANMA OIL CORPORATION (MOC) FOR $10 MILLION TO FINANCE PURCHASE OF ADDITIONAL DRILLING RIGS. CHASE IS OFFERING A MEDIUM-TERM, 5 1/2 YEAR LOAN AT TWO PERCENT OVER THE LONDON INTERBANK OFFERED RATE (LIBOR). A CHASE REPRESENTATIVE SAID OTHER TERMS AND CONDITIONS ARE ROUGHLY SIMILAR TO THOSE OFFERED LAST YEAR IN CONNECTION WITH THE $38.75 MILLION LOAN TO MOC (SEE REFTEL).

2. THE OFFER HAS ALREADY BEEN APPROVED BY THE GUB MINISTRY OF PLANNING AND FINANCE, BUT MUST STILL HAVE THE APPROVAL OF THE FULL CABINET. A CHASE OFFICIAL WAS QUITE CONFIDENT THIS APPROVAL
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WOULD BE FORTHCOMING. HE SAID HIS BANK WAS SURPRISED AT THE SPEED WITH WHICH THE GUB ACCEPTED AND ACTED UPON A RATHER INFORMAL OFFER TO FINANCE PURCHASE OF ADDITIONAL DRILLING RIGS WHICH BANK OFFICIALS MADE DURING A MEETING LAST NOVEMBER.

3. ALTHOUGH THE AMOUNT INVOLVED IS MUCH SMALLLER THAN CHASE'S 1977 LOAN, THE BANK PLANS TO SYNDICATE THE LOAN AND WARDLY LIMITED HAS

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ALREADY AGREED TO CO-MANAGE THE VENTURE AS IT DID WITH THE
PREVIOUS LOAN. CHASE BANK OFFICIAL BELIEVES THE LOAN WILL BE
READY FOR SYNDICATION BY APRIL 21.

4. THE GUB SEEMS TO BE MOVING QUICKLY INTO FOREIGN COMMERCIAL
FINANCING AT LEAST FOR PETROLEUM VENTURES. IN KEEPING WITH ITS
PAST PRACTICE OF DEALING WITH A KNOWN ENTITY, THE GUB DID NOT
APPROACH ANY OTHER FINANCIAL INSTITUTIONS IN CONNECTION WITH THIS
TRANSACTION. CHASE MANHATTAN OFFICIALS CLAIM THEY HAVE
ADVISED THE GUB MINISTRY OF PLANNING AND FINANCE THAT IN FUTURE
COMMERCIAL FINANCING BURMA SHOULD APPROACH OTHER INTERNATIONAL
LENDING INSTITUTIONS SO THAT THE COUNTRY CAN ACQUIRE A WIDER
REPUTATION AMONG THE FINANCIAL COMMUNITY. CHASE OFFICIALS WOULD
NOT ADMIT THAT THIS ADVICE WAS ANYTHING MORE THAN ALTRUISTIC.
HOWEVER, IT SEEMS QUITE LIKELY THAT WITH SOME $50 MILLION IN
LOANS UNDER CHASE MANAGEMENT ALREADY COMMITTED IN BURMA, THE BANK
MAY FEEL A BIT OVEREXPOSED IN THE COUNTRY AND WOULD LIKE TO
AVOID THE EMBARRASSMENT OF TURNING DOWN A FUTURE GUB PROPOSAL.

5. THE LOAN WILL BE USED TO PURCHASE THREE OR FOUR SHALLOW
DRILLING RIGS. AN MOC OFFICIAL SAID THAT THE CORPORATION MIGHT
CONSIDER PURCHASING USED RIGS. THE RIGS WOULD BE UTILIZED IN
CONNECTION WITH PETROLEUM EXPLORATION EFFORTS IN CENTRAL BURMA
AND THE IRRAWADDY DELTA AREA. MOC HOPES TO BEGIN NEGOTIATIONS
WITH POTENTIAL SUPPLIERS BEFORE THE END OF MAY.

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6. THIS WILL PROVIDE A MAJOR TRADE OPPORTUNITY FOR U.S.
SUPPLIERS, AND THE EMBASSY BELIEVES ANY POTENTIAL SUPPLIERS
SHOULD BE ALERTED TO THE OPPORTUNITY AS EARLY AS POSSIBLE.
(CLASSIFICATION NOTE: THE LOAN, TERMS AND CONDITIONS AS WELL AS
COMMENTS BY BANK AND MOC OFFICIALS ARE PRIVILEDGED AND MUST BE
CONSIDERED CLASSIFIED AT LEAST UNTIL SUCH TIME AS THE AGREEMENT IS
PUBLICIZED, BUT THE TRADE OPPORTUNITY MAY BE PUBLICIZED IF
THERE IS NO MENTION OF THE METHOD OF FINANCING.) THE NATURE OF
THE RIGS (SHALLOW) AND THE POSSIBILITY THAT THE MOC MIGHT
CONSIDER USED RIGS COULD MEAN SOME FOREIGN COMPETITION IN
THIS FIELD THAT IS NORMALLY DOMINATED BY U.S. SUPPLIERS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, BANK LOANS, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978RANGOO00830
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780106-0955
Format: TEL
From: RANGOON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780387/aaaacvwi.tel
Line Count: 106
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 456e4cca-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 RANGOON 356
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3386596
Secure: OPEN
Status: NATIVE
Subject: CHASE MANHATTAN BANK PLANS ADDITIONAL LOAN TO MYANMA OIL CORP.
TAGS: EFIN, ENRG, BTIO, MYANMA OIL CORP
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/456e4cca-c288-dd11-92da-001cc4696bcc
Review Markings:
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Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014